

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7360

BILL NUMBER: HB 1321

NOTE PREPARED: Jan 14, 2004

BILL AMENDED:

SUBJECT: Convention and visitor development area.

FIRST AUTHOR: Rep. Mahern

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill authorizes the Metropolitan Development Commission in Marion County to establish a Convention and Visitor Development Area to allocate certain covered taxes to the acquisition, construction, improving, and equipping of a capital improvement that is used for the convention and visitor industry.

Effective Date: July 1, 2004.

Explanation of State Expenditures:

Explanation of State Revenues: The bill would allow the Marion County Metropolitan Development Commission to establish a Convention and Visitor Development Area (CVDA). The bill would allow the county to capture state Sales and Use Taxes collected within the CVDA for convention related improvements or improvements serving the CVDA (see *Explanation of Local Revenues*). The bill provides that up to \$10.0 M annually in state Sales and Use Taxes may be captured within the CVDA for up to 36 years. Since the potential duration and geographic area of the Marion County CVDA is unknown, the impact of this bill is indeterminable but the maximum exposure is a \$10 M annual reduction in sales tax revenue to the state. In FY 2003, the Marion County Professional Sports and Convention Development Area (PSCDA) containing various sports facilities in downtown Indianapolis captured about \$750,000 in state Sales and Use Taxes (see *Explanation of Local Revenues*).

Sales Tax revenue will be deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill would allow the Marion County Metropolitan Development Commission to establish a Convention and Visitor Development Area (CVDA) before July 1, 2008. The bill requires the CVDA to terminate no later than December 31, 2040. The bill specifies that the CVDA is a special taxing district enabling the county to provide special benefits to taxpayers in the CVDA. The bill permits the CVDA to contain noncontiguous tracts of land within the county. The bill also allows the county to capture certain “covered taxes” that are collected in the CVDA. The “covered taxes” are the state Sales Tax, the state Use Tax, the County Option Income Tax, and the Innkeeper’s Tax. The bill limits the amount of state Sales and Use taxes that the county may capture in the CVDA to \$10.0 M annually; and allows such capture for up to 36 years. Currently, Marion County imposes a 6% Innkeeper’s Tax and a 0.7% County Option Income Tax (COIT). Under current statute, the COIT rate could be increased by 0.1% annually up to a maximum rate of 1%. The Innkeeper’s Tax generated about \$19.3 M in collections during FY 2003. Marion County’s certified COIT distribution for CY 2003 was approximately \$117.6 M.

The captured tax collections must be deposited in the CVDA Fund established by the bill. The CVDA Fund is non-reverting and is to be administered by the Department of State Revenue. Distributions from the Fund must be made by warrants issued by the Auditor of State to the Treasurer of State ordering the payments to the Marion County Capital Improvement Board. The Capital Improvement Board is authorized to use the money in the CVDA Fund for acquisition, construction, improving, and equipping of a capital improvement that is used for the convention and visitor industry; or a local public improvement in or serving the CDVA.

Marion County Professional Sports & Convention Development Area (PSCDA): Under current statute, Marion County operates a Professional Sports and Convention Development Area (PSCDA) which includes Conseco Fieldhouse, the Indiana Convention Center, the RCA Dome, Victory Field, and the Colts’ practice facility. Current statute allows Marion County to capture up to \$5.0 M annually in state individual Adjusted Gross Income (AGI) Tax and state Sales and Use Taxes collected within the PSCDA. The state tax amounts captured in FY 2003 by Marion County totaled about \$4.25 M in AGI Tax and about \$750,000 in Sales and Use Taxes. In addition, current statute provides for the capture of Food and Beverage Tax and COIT collections within the PSCDA for use on PSCDA projects. Approximately \$164,000 in Food and Beverage Tax was captured for the Marion County PSCDA in FY 2003. In CY 2002, about \$373,000 in COIT collections were captured for the Marion County PSCDA. (Note: CY 2003 COIT adjustments are not available at this time.) Currently, these captured state and local tax collections are utilized for debt payments relating to Conseco Fieldhouse.

State Agencies Affected: Department of State Revenue, State Auditor, State Treasurer.

Local Agencies Affected: Marion County Metropolitan Development Commission and Capital Improvement Board.

Information Sources: Sandy Althouse, Department of State Revenue, (317) 232-4263. Jennifer Weflin, Indianapolis Bond Bank, (317) 327-4303. *Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2003.*

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